

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 SPC-03

STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01 SS-20

NSC-07 L-03 DRC-01 /127 W
----- 093735

R 261740Z MAR 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 6620

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION OECD PARIS UNN

C O N F I D E N T I A L EC BRUSSELS 1808

PASS TREASURY, FRB, CEA

E. O. 11652: GDS

TAGS: EFIN, EEC

SUBJ: GOLD

REF: A) EC BRUSSELS 1531; B) LONDON 03530 (NOTAL)

C) LUXEMBOURG 0187

1. SUMMARY: THE DEPUTIES OF THE EC MONETARY COMMITTEE
MET IN BRUSSELS MARCH 22. THEY REJECTED AS INADEQUATE
THE PAPER OF THE SECRETARIAT OF THE COMMITTEE (REF C)
SUMMARIZING VARIOUS OPTIONS ON GOLD. THE PAPER WILL
BE REDRAFTED TO NARROW THE NUMBER OF OPTIONS FURTHER.
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ACCORDING TO OUR SOURCES, THE DUPTIES MADE LITTLE

PROGRESS. THE APPROACH RETAINING THE MOST ATTENTION INVOLVED CENTRAL BANK SALES AND PURCHASES ON THE FREE MARKET, TRANSACTIONS AMONG CENTRAL BANKS AT AGREED PRICES AND EXCLUSION OF GOLD FROM INTRA-EC SETTLEMENTS. THE APRIL 4-5 MONETARY COMMITTEE MEETING IS IN PREPARATION FOR AN INFORMAL MEETING ON GOLD OF THE FINANCE MINISTERS OF THE NINE IN THE HAGUE APRIL 22-23. END SUMMARY.

2. PERM REP SOURCES HAVE TOLD THE MISSION THAT THE MARCH 22 MEETING OF THE DEPUTIES OF THE MONETARY COMMITTEE MADE LITTLE PROGRESS ON A COMMON EC POSITION ON GOLD. THE BASIS FOR THE DISCUSSION WAS A PAPER PREPARED BY THE SECRETARIAT OF THE MONETARY COMMITTEE IN THE FORM OF A DRAFT REPORT FOR ADOPTION BY THE FULL COMMITTEE ON APRIL 5. THE SECRETARIAT HAD PREPARED THIS PAPER FOLLOWING THE MONETARY COMMITTEE DISCUSSION REPORTED IN REF A. THE PAPER DISCUSSES THE CURRENT STATE OF THE COMMITTEE'S EXAMINATION OF VARIOUS FORMULAS FOR THE MOBILIZATION OF THE GOLD PORTION OF OFFICIAL RESERVES. THE PAPER NARROWS DOWN A SERIES OF OPTIONS DISCUSSED IN A PAPER BY OSSOLA (POUCHED TO RPE AND TREASURY) PREPARED FOR THE MONETARY COMMITTEE MEETING FEBRUARY 4-5.

3. ACCORDING TO OUR SOURCES, THE DUPUTIES REJECTED THE SECRETARIAT PAPER AS INADEQUATE AND ASKED THAT IT BE REDRAFTED TO NARROW DOWN FURTHER THE NUMBER OF OPTIONS AND TO ELABORATE IN GREATER DETAIL ON THE CONSEQUENCES OF THEIR EVENTUAL ADOPTION--PARTICULARLY THE BROAD ECONOMIC AND POLITICAL CONSEQUENCES. IT IS WORTH NOTING, HOWEVER, THAT THE PAPER CONFIRMS THE INFORMATION REPORTED IN REF A THAT THE MONETARY COMMITTEE BELIEVES INTERNATIONAL-TYPE FORMULAS ARE PREFERABLE IN PRINCIPLE TO REGIONAL ARRANGEMENTS IN THAT THE FORMER DEAL MORE REALISTICALLY WITH THE CURRENT PROBLEM OF BALANCE OF PAYMENTS DEFICITS BETWEEN THE COMMUNITY AND THE OUTSIDE WORLD. THE PAPER STATES THAT THE COMMITTEE RECOGNIZES, HOWEVER, THAT WORLD-WIDE FORMULAS ARE UNLIKELY AT THIS TIME AND THAT, CONSEQUENTLY, "COMMUNITY" ARRANGEMENTS CANNOT BE RULED OUT. CONFIDENTIAL

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4. THE FORMULA THAT IS NOW GIVEN SOME CHANCE OF EVENTUAL SUPPORT BY THE NINE IS ONE DESCRIBED TO US AS A DANISH PROPOSAL. IT WOULD ALLOW CENTRAL BANKS TO BUY AND SELL GOLD ON THE FREE MARKET AND ENGAGE IN GOLD TRANSACTIONS AMONG EACH OTHER AT AGREED-ON PRICES, WITH AN OPTION TO RE-PURCHASE THE GOLD AT A FIXED PRICE. GOLD WOULD NOT BE MENTIONED IN THE EUROPEAN MONETARY

COOPERATION FUND'S RULES FOR INTR-EC SETTLEMENTS. THESE WOULD DEAL ONLY WITH FOREIGN EXCHANGE, SDRS, AND POSSIBLY IMF POSITIONS. GOLD WOULD ALSO BE ELIMINATED FROM ANY FORMULA FOR RESERVE POOLING WITHING THE EC. THIS PROPOSAL WOULD APPEAR TO CONTAIN ELEMENTS OF OPTIONS 3 AND 5 IN THE SECRETARIAT PAPER (REF C).

5. ACCORDING TO OUR INFORMATIONS, THE PURPOSE OF THE MONETARY COMMITTEE MEETING APRIL 4-5 IS TO PREPARE FOR THE INFORMAL MEETING OF THE EC FINANCE MINISTERS (THE NINE) IN THE NETHERLANDS APRIL 22-23. IT SHOULD BE NOTED THAT THE MEETING OF THE MINISTERS OF FINANCE OF THE SNAKE CURRENCIES ON APRIL 10 IN COPENHAGEN (REF C) IS AN EXTRA-COMMUNITY UNDERTAKING. THE SECRETARIAT OF THE MONETARY COMMITTEE IS NOT INVOLVED IN THE MEETINGS OF THE MINI-SNAKE COUNTRIES AND, INDEED, HAS HAD DIFFICULTY KEEPING INFORMED OF THE RESULTS OF THESE MEETINGS.

6. THE "BRI" REFERRED TO UNDER OPTION B (INVOLVING TRANSFERS OF GOLD AGAINST DOLLARS AND OTHER MEANS OF SETTLEMENT) OF THE SECRETARIAT PAPER (REF C) IS THE BANK FOR INTERNATIONAL SETTLEMENTS (BANQUE POUR LES REGLEMENTS INTERNATIONAUX).
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMITTEE MEETINGS, ECONOMIC PROGRAMS, GOLD TRANSACTIONS, BANKS, FINANCIAL MARKETS, GOLD CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ECBRU01808
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740065-0708
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740315/aaaaanzp.tel
Line Count: 139
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A) EC BRUSSELS 1531; B) LONDON 03530
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 01 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2002 by collinp0>; APPROVED <05 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOLD
TAGS: EFIN, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005